



Coopers
& Lybrand

March 4, 1983
(April 18, 1983 for Notes 15 and 16)

AUDITORS' REPORT

To the Shareholders of Barrick Petroleum Corporation

We have examined the consolidated balance sheet of Barrick Petroleum Corporation as at December 31, 1982 and the consolidated statements of loss and deficit and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the company as at December 31, 1982 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied, after giving retroactive effect to the change in the method of accounting for general and administration expenses as explained in note 3, on a consistent basis.



CHARTERED ACCOUNTANTS

BARRICK PETROLEUM CORPORATION**Consolidated Balance Sheet
As At December 31, 1982**

	1982	1981
ASSETS		
Current Assets		
Cash and short-term deposits	\$ 331,173	\$ 6,807,649
Accounts receivable	121,917	304,597
Drilling supplies and prepaid expenses	405,786	160,726
Due from related company (Note 9)	<u>-</u>	<u>700,084</u>
	858,876	7,973,056
Oil and Gas Interests (Note 4)	21,930,508	12,077,262
Deferred Development Costs (Note 5)	1,585,818	-
Fixed Assets (Note 6)	<u>443,364</u>	<u>467,113</u>
	<u>\$24,818,566</u>	<u>\$20,517,431</u>

LIABILITIES

Current Liabilities		
Accounts payable and accrued liabilities	\$ 1,674,910	\$ 3,350,940
Bank loans (Note 8)	2,662,535	-
Related company loans (Note 9)	<u>1,456,083</u>	<u>-</u>
	5,793,528	3,350,940
Long-Term Debt (Note 10)	3,048,750	-

SHAREHOLDERS' EQUITY

Capital Stock (Note 11)	18,897,250	18,416,000
Deficit	<u>(2,920,962)</u>	<u>(1,249,509)</u>
	<u>15,976,288</u>	<u>17,166,491</u>
	<u>\$24,818,566</u>	<u>\$20,517,431</u>

Director

Director

BARRICK PETROLEUM CORPORATION
Consolidated Statement of Loss and Deficit
For The Year Ended December 31, 1982

	1982	1981
Revenue		
Interest income	<u>\$ 161,175</u>	<u>\$ 908,683</u>
Expense		
General and administration (Note 3)	870,837	1,015,017
Exploration costs written off	-	804,467
Loss from discontinued operations (Note 14)	<u>697,450</u>	<u>275,279</u>
	<u>1,568,287</u>	<u>2,094,763</u>
Loss for the period	<u>1,407,112</u>	<u>1,186,080</u>
Deficit at beginning of period		
As previously reported	2,197,607	63,429
Prior period adjustment (Note 3)	<u>948,098</u>	<u>-</u>
As restated	1,249,509	63,429
Costs incurred in raising capital	<u>264,341</u>	<u>-</u>
Deficit at end of period	<u><u>\$ 2,920,962</u></u>	<u><u>\$ 1,249,509</u></u>

BARRICK PETROLEUM CORPORATION

Consolidated Statement of Changes in Financial Position For The Year Ended December 31, 1982

	1982	1981
Sources of working capital		
Issue of capital stock	\$ 481,250	\$ 12,415,000
Farmout of oil and gas interests	-	3,293,690
Increase in long-term debt	<u>3,048,750</u>	<u>-</u>
	<u>3,530,000</u>	<u>15,708,690</u>
Uses of working capital		
Loss for the period	1,407,112	1,186,080
Items not affecting working capital		
Depreciation and amortization (net of depreciation charged to oil and gas interests of \$90,899 - 1981 \$900)	<u>(84,188)</u>	<u>(8,283)</u>
Used in operations	1,322,924	1,177,797
Investment in oil and gas interests	9,668,813	14,953,297
Investment in computer software development	1,552,310	-
Purchase of fixed assets	278,380	475,396
Costs incurred in raising capital	<u>264,341</u>	<u>-</u>
	<u>13,086,768</u>	<u>16,606,490</u>
Increase (decrease) in working capital	(9,556,768)	(897,800)
Working capital at beginning of period	<u>4,622,116</u>	<u>5,519,916</u>
Working capital (deficiency) at end of period	<u>\$ (4,934,652)</u>	<u>\$ 4,622,116</u>

BARRICK PETROLEUM CORPORATION

Notes to Consolidated Financial Statements

1. Nature of Operations

The Company's principal activity is the acquisition of interests in oil and gas properties, predominantly in the United States of America, to explore for and develop oil and gas reserves.

2. Accounting Policies

The accounting policies of the Company, which is incorporated under the laws of Canada, are in accordance with Canadian generally accepted accounting principles. Outlined below are those policies considered particularly significant for the Company.

(a) Basis of consolidation

The consolidated financial statements include the accounts of the Company and all subsidiaries. The accounts of the subsidiaries are consolidated using the purchase method of accounting. Certain of the Company's oil and gas activities are conducted jointly with others and accordingly the accounts reflect the Company's proportionate interest in such activities.

(b) Oil and gas interests

The Company follows the full cost method of accounting for oil and gas interests whereby all costs relating to the exploration and development of oil and gas reserves are capitalized. Such costs include land acquisition costs, geological and geophysical expenses, engineering fees, interest, administration expenses and costs of drilling both productive and non-productive wells.

Costs are allocated to a separate cost centre for each country in which the Company operates and will be amortized using the unit of production method based upon the estimated proven oil and gas reserves in each country. The recoverability of deferred exploration costs is dependent upon the existence of economically recoverable reserves and, as yet, in certain countries exploration has not proceeded to the stage where it is possible to determine whether such reserves exist.

(c) Translation of foreign currencies

The Company previously reported its financial information in United States dollars. These financial statements are presented in Canadian dollars using the method of translation, applied on a retroactive basis, as follows: monetary assets and liabilities at rates in effect at the end of the period; non-monetary items and revenue and expenditure items at rates in effect at dates of transactions except for depreciation and amortization which are translated at the same rates as the related assets.

(d) Fixed assets

Fixed assets are recorded at cost and depreciated on a straight line basis over their estimated useful lives at annual rates from 20 percent to 35 percent.

BARRICK PETROLEUM CORPORATION

Notes to Consolidated Financial Statements

3. General and Administration

During 1982 the Company changed its method of accounting for general and administration expenses. General and administration expenses relating to oil and gas properties, which were previously expensed, have been allocated to cost centres and capitalized as part of the cost of oil and gas interests. This change has been made retroactively and as a result, general and administration expenses have been reduced and expenditures on oil and gas properties increased by \$2,450,630 (1981 \$948,098).

General and administration expenses include charges of \$683,081 (1981 \$495,000) from a company, controlled by an individual who is a Director of the Company, for reimbursements of expenses paid on the Company's behalf. \$520,982 of these expenses were outstanding at December 31, 1982 and are included in accounts payable.

A gain on foreign exchange of \$155,755 (1981 \$297,964 loss) is included in general and administration expenses. The gain or loss arises because the majority of the Company's expenditures are in U.S. dollars and thus the Company maintains its surplus funds and arranges its borrowings in that currency.

4. Oil and Gas Interests

The Company has entered into agreements to acquire, explore and develop oil and gas opportunities on various properties situated throughout the world. To date all expenditures relate to the acquisition and exploration of such properties.

A geographical summary of oil and gas expenditures is as follows:

	1982	1981	1980
U.S.A.	\$17,860,778	\$10,119,324	\$ 417,655
Tunisia	1,302,881	1,014,700	-
Turkey	924,681	507,092	-
Australia	1,375,313	352,276	-
New Zealand	466,855	83,870	-
	<u>\$21,930,508</u>	<u>\$12,077,262</u>	<u>\$ 417,655</u>

The Company has commenced legal proceedings for restitution and damages against Occidental Petroleum Corporation et al, whereby it is seeking return of its invested capital in its Tunisian Joint Venture.

5. Deferred Development Costs

Computer software development costs are deferred until marketing of the systems commences. Marketing is anticipated to commence in 1983 and deferred development costs will be amortized against sales of such systems.

BARRICK PETROLEUM CORPORATION
Notes to Consolidated Financial Statements

6. Fixed Assets

	1982	1981
Cost		
Computer equipment	\$ 170,038	\$ 229,348
Exploration equipment	-	103,928
Automobiles, furniture and fixtures and leasehold improvements	<u>423,679</u>	<u>155,220</u>
	593,717	488,496
Accumulated depreciation	<u>(150,353)</u>	<u>(21,383)</u>
	<u>\$ 443,364</u>	<u>\$ 467,113</u>

7. Joint Ventures

The consolidated balance sheet includes the Company's share of the assets and liabilities of the joint ventures in which it has invested as follows:

	1982	1981
Oil and gas interests (at cost)	\$ 4,069,730	\$ 4,772,022
Equipment (at cost, less accumulated depreciation)	-	93,838
Working capital	<u>392,844</u>	<u>71,078</u>
	<u>\$ 4,462,574</u>	<u>\$ 4,936,938</u>

8. Bank Loans

Bank loans comprise \$2,439,000 (US\$2,000,000) and \$223,535 (Irish pounds 130,000). The \$2,439,000 loan is denominated in U.S. dollars, secured by a negative pledge on the assets of a subsidiary, is repayable in May 1983 and bears interest at U.S. prime plus 1%. U.S. prime at December 31, 1982 was 11-1/2%.

A subsidiary of the Company, which has ceased operations, borrowed Irish pounds 130,000 in connection with the purchase of a computer system. The loans, which were repaid in January 1983, carried an interest rate of approximately 12-1/2%.

9. Related Company Loans

Related company loans of \$1,456,083 (US\$1,194,000) are from a subsidiary of a company, certain of whose shareholders are Directors of the Company. These loans are denominated in U.S. dollars, bear interest at U.S. prime (1982 \$125,013) and are repayable on demand. At December 31, 1981 the Company was owed \$700,084 by another subsidiary of the related company.

10. Long-Term Debt

Long-term debt of \$3,048,750 (US\$2,500,000) is from a subsidiary of a company, certain of whose shareholders are Directors of the Company. This loan is denominated in U.S. dollars, bears interest at U.S. prime plus 1% (1982 \$106,676) and is repayable in February 1985.

BARRICK PETROLEUM CORPORATION
Notes to Consolidated Financial Statements

11. Capital Stock

Authorized -

Class "A" - unlimited number of non-voting common shares without par value.

Class "B" - unlimited number of voting common shares without par value.

	Number of Shares	\$
Issued and fully paid -		
Class "A"		
Issued for cash during period ended December 31, 1980	6,000,000	\$ 6,000,000
Issued during the year ended December 31, 1981		
For cash	9,341,667	12,290,000
In consideration for a business acquisition	<u>50,000</u>	<u>125,000</u>
Balance at December 31, 1981	15,391,667	18,415,000
Issued for cash during the period ended December 31, 1982	<u>175,000</u>	<u>481,250</u>
	15,566,667	18,896,250
Class "B"		
Issued for cash during the period ended December 31, 1980	<u>1,000</u>	<u>1,000</u>
	<u>15,567,667</u>	<u>\$ 18,897,250</u>

The Board of Directors has approved share options on Class "A" shares totalling 1,875,000 shares in recognition of services rendered to the Company. The options vary in price from \$1.00 per share to a price equivalent to the price at which shares are first offered to the public. In order to permit such option holders to participate in the share exchange offer described in Note 15 the option holders have been given the opportunity to exercise their options at \$2.50 per share, on or before March 31, 1983. Any options not exercised would not be exercisable in the future unless the Company completed a distribution to the public. No such distribution is expected because of the anticipated share exchange offer.

12. Income Taxes

The Company has losses for Canadian tax purposes of approximately \$850,000 which may be carried forward to reduce taxable income in future years and for which no future tax benefit has been recognized in the accounts. Of these losses, \$465,000 expires by December 31, 1986 and \$385,000 expires by December 31, 1987.

BARRICK PETROLEUM CORPORATION
Notes to Consolidated Financial Statements

The Company, through its United States subsidiaries, has tax net operating losses of approximately \$835,000 which may be carried forward to reduce taxable income of the subsidiaries in future years and for which no future tax benefit has been recognized in the accounts. These losses expire by December 31, 1997.

13. Commitments

As at December 31, 1982 the Company was required to spend approximately \$6,500,000 (December 31, 1981 \$9,000,000) during the next three years under the terms of certain oil and gas agreements.

14. Discontinued Operations

During the year the Company discontinued its geological and geophysical consulting operations.

15. Share Exchange Offer

The Company has entered into a letter of intent whereby it is proposed that a publicly listed company will purchase all the issued and outstanding shares of the Company for shares of the publicly listed company. Following the transaction, which has been approved by the Toronto Stock Exchange, and which is subject to the approval of the shareholders, the shareholders of the Company will own approximately 96% of the publicly listed company.

16. Share Subscription

In April 1983, the Company received subscriptions for a private placement of 3,500,000 Class "A" shares at \$2.75 per share, less estimated commissions of \$182,925, and for 265,000 Class "A" shares at \$2.75 per share from a director and two officers of the Company. The private placement of 3,500,000 Class "A" shares is contingent upon the share exchange offer referred to in Note 15 being approved by the shareholders of the publicly listed company. Loans of \$728,750 were made to the director and officers to enable them to subscribe for the 265,000 Class "A" shares. These loans are interest free, non-recourse and are repayable on sale of the shares.